

## Public-Private Ag Research . . . Corn Outlook . . . EU's Agenda 2000 . . . Commodity Price Variability . . . APEC Economies' Infrastructure

### U.S. Corn Prices To Remain Weak

*U.S. farm prices for corn* are expected to remain weak in 1999/2000. While this year's crop is smaller, supplies are essentially unchanged because of larger carryin stocks. Although prices strengthened when the impact of the drought in the eastern Corn Belt became clear, abundant supplies in other major U.S. growing regions are expected to keep the average farm price near the 1998/99 forecast of \$1.95 per bushel. Domestic use will likely set another record in 1999/2000, while U.S. corn exports decline because of increased competition from China, continued large exports by Argentina, and declining world trade.

### Food Price Rises in 1999, 2000 Are Lowest Since Early 1990's

*Consumers are benefiting* from a low general inflation rate, with food prices forecast to increase only 2 percent in 1999 and 2-2.5 percent in 2000, in part because of large supplies of meats. Food price increases have not been so low since the early 1990's—when prices increased 1.2 percent in 1992 and 2.2 percent in 1993.

### Assessing Ag Commodity Price Variability

*Potentially large swings in farm prices and incomes* have been a longstanding farm policy concern. Better understanding the patterns and forces behind commodity price variability would help policymakers facilitate good risk management practices and help farmers manage their price risks. Within-year price variability for corn and wheat futures contracts follows seasonal patterns, and across-year price variability for wheat, corn, and soybeans is negatively correlated with the level of stocks relative to total disappearance. General price levels for soybeans and most grains may move in tandem with many of the same forces, but price variabilities are more distinct, due likely to disparities in their supply and demand responsiveness.



### U.S. Ag Exports To Turn Up In Fiscal 2000

*U.S. agricultural exports* are forecast to recover modestly in fiscal year 2000 to \$50 billion, the first increase since 1996. The gain from 1999—2 percent—is expected to be limited by relatively low prices. For bulk exports, the projected increase is 3 percent (volume is up 5 percent), and for high-value products just over 1 percent. Propelling the gains are higher global economic growth, especially in Asia, and reduced export competition for some bulk commodities.

### Striking a New Balance in Public-Private Agricultural Research

*The revolution in biotechnology*, coupled with strengthened patent protection for biological inventions, suggests that the traditional view of agricultural research—a public sector specializing in relatively basic research and a private sector oriented toward applied research and technology development—needs revision. While some motivations for research are still distinctly public (e.g., improving nutritional health and enhancing

environmental quality), research areas able to benefit both sectors suggest a need to expand opportunities for public-private partnerships, such as the cooperative research and development agreements used by USDA's Agricultural Research Service.

### Examining EU's Agenda 2000

*The European Union's (EU) Agenda 2000*, finalized in March, builds on key agricultural reforms of 1992 by further reducing support prices for some commodities while partially compensating producers for the price declines through direct payments. In general, Agenda 2000 will make modest changes in the grain, oilseed, dairy, and beef sectors. For wheat, the reforms will likely move the government purchase price below a rising world price, enabling EU countries to expand wheat exports without subsidies. Most other EU agricultural commodities will remain uncompetitive in world markets, and will require continued EU subsidization for export.

### Infrastructure Investment in APEC Region

*A particularly troubling impact* of the global financial crisis of 1997-98 has been the scaling back of public and private infrastructure investment in the most financially distressed economies of the Asia-Pacific Economic Cooperation (APEC) region—Indonesia, Malaysia, the Philippines, South Korea, and Thailand. Sizable investments are needed to maintain and expand infrastructure across APEC to sustain economic growth and facilitate trade, both within and among those economies and with the U.S. (over 60 percent of U.S. agricultural exports goes to the APEC countries). Infrastructure development reduces marketing costs, benefiting both producers and consumers. Lowering these costs could have as positive an effect on food and agricultural trade as removal or reduction of a tariff.